



Canadian Intellectual Property Office

THE REGISTRAR OF TRADEMARKS

Citation: 2025 TMOB 13

Date of Decision: 2025-01-27

IN THE MATTER OF A SECTION 45 PROCEEDING

Requesting Party: Regeena Lifeso

Registered Owner: Toys "R" Us (Canada) Ltd.

Registration: TMA876873 for KOALA KIDS & Design

[1] At the request of Regeena Lifeso (the Requesting Party), the Registrar of Trademarks issued a notice under section 45 of the *Trademarks Act*, RSC 1985, c T-13 (the Act) on July 11, 2023 to Toys "R" Us (Canada) Ltd. (the Owner), in respect of its trademark registration No. TMA876873, for the trademark KOALA BABY & Design (the Mark), shown below.



[2] The Mark is registered in association with a wide variety of goods in the nature of clothing for infants and children (the Goods). The complete statement of goods is reproduced in Schedule A to this decision.

[3] The notice required the Owner to show whether the Mark was used in Canada, in association with the Goods, at any time within the three-year period immediately preceding the date of the notice. If the Mark had not been so used, the notice required the Owner to show when it was last in use and the reason for the absence of use since that date.

[4] Section 4 of the Act defines trademark use in association with goods as follows:

4(1) A trademark is deemed to be used in association with goods if, at the time of the transfer of the property in or possession of the goods, in the normal course of trade, it is marked on the goods themselves or on the packages in which they are distributed or it is in any other manner so associated with the goods that notice of the association is then given to the person to whom the property or possession is transferred.

...

(3) A trademark that is marked in Canada on goods or on the packages in which they are contained is, when the goods are exported from Canada, deemed to be used in Canada in association with those goods.

[5] In this case, the relevant period for showing use is July 11, 2020 to July 11, 2023.

[6] In the absence of use, pursuant to section 45(3) of the Act, the registration is liable to be amended, unless the absence of use is due to special circumstances that excuse the absence of use.

[7] For the reasons that follow, the registration will be amended.

THE PROCEEDING AND THE EVIDENCE

[8] In response to the Registrar's notice, the Owner furnished an affidavit of Amanda Jazvac, solemnly affirmed on February 12, 2024 (the Jazvac Affidavit). Only the Requesting Party submitted written representations. Both parties were represented at a hearing.

[9] Ms. Jazvac is a Director of Merchandising for the Owner [para 1]. She describes the Owner as the operator of the well-known toy store and baby store chains Toys R Us and Babies R Us [para 2].

[10] Ms. Jazvac states that the Owner sells a wide variety of products bearing the Mark. She states that the following products bearing the Mark were sold during the relevant period, in the Owner's Canadian retail stores or to Canadian customers at the Owner's Canadian websites [paras 7 and 24]:

- 31 children's hats;
- 1 pair of children's jeans;
- 1 pair of children's sunglasses; and
- 60 Halloween bibs.

[11] Ms. Jazvac also provides photographs of these products (except sunglasses) that are representative of how they would have appeared during the relevant period [para 24]. These photographs show the Mark displayed on packaging, hangtags and tags sewn into the products [Exhibits B-D].

[12] As for the remaining Goods, Ms. Jazvac states that, despite her inquiries, no one internal to the Owner was able to confirm when the Owner first or last used the Mark [para 13]. She explains that this is because the Owner only has sales data going back to 2018, which in turn is due to the bankruptcy of both the Owner and its former parent company in September

2017 [paras 9-10]. Ms. Jazvac states that, because its former parent company no longer exists, the Owner has no means of accessing sales data from before 2018 [para 11].

[13] Ms. Jazvac explains that, due to the bankruptcy, the Owner lost relationships it had with the vendors that supplied it with products it had sold in association with the Mark [para 14]. The Owner also had to restructure its operations to maintain liquidity [para 15]. The Owner decided to “focus on selling baby items (e.g. nursing cushions, bibs, burp cloths, onesies, etc.) in association with the trademark KOALA BABY, with a view to restarting use of the Mark with other items once [the Owner] had new vendors for sourcing these products, among other reasons” [para 15].

[14] In 2020, the COVID-19 pandemic began. The Owner’s retail stores were closed or were subject to customer capacity restrictions and social distancing rules [para 16], and the Owner faced uncertainty in its cash flow and difficulties getting products from vendors [paras 17 and 18]. The Owner continued selling products via its website or via curbside pickup [para 16], and was able to continue using the Mark, though its supply of KOALA KIDS product was limited [para 19]. The Owner reduced “private label orders”, such as those for products bearing the Mark [para 20].

[15] According to Ms. Jazvac, as of some time between 2022 and 2023, the Owner was in a position to further develop its brands, including the Mark [para 21]. As of February 12, 2024, the date of Ms. Jazvac’s affidavit, while the Owner was selling many of the Goods in Canada under other trademarks, the Owner had “not made any final decisions” regarding use of the Mark in association with the Goods [paras 27 and 28].

REASONS FOR DECISION

[16] It is well established that the purpose and scope of section 45 of the Act is to provide a simple, summary, and expeditious procedure for removing “deadwood” from the register. The evidence in a section 45 proceeding need not be perfect; indeed, a registered owner need only establish a *prima facie* case of use within the meaning of sections 4 and 45 of the Act.

[17] The burden of proof in section 45 proceedings is light; evidence must only supply facts from which a conclusion of use may follow as a logical inference [per *Diamant Elinor Inc v 88766 Canada Inc*, 2010 FC 1184 at para 9]. That being said, sufficient facts must still be provided to allow the Registrar to conclude that the trademark was used in association with the relevant goods or services.

Use in association with the Goods

[18] The Requesting Party argues that the evidence does not establish that the goods identified in paragraph 24 of the Jazvac Affidavit were sold in the ordinary course of trade, and that the sales information in paragraph 24 is an assertion based on hearsay [Requesting Party’s written representations, paras 7 and 13]. However, Ms. Jazvac clearly states that “All of [the] sales are either in Toys R Us or Babies R Us retail stores in Canada or sold online to Canadian customers at toysrus.ca or babiesrus.ca” [para 24]. She also states that she has access to the Owner’s sales information relating to the products bearing the Mark [para 22]. When the Jazvac Affidavit is read as a whole, I find it reasonable to conclude that the information provided in paragraph 24 is derived from the Owner’s sales records, kept in the ordinary course of its business, to which Ms. Jazvac had access. Due to the summary nature of section 45 proceedings, concerns regarding hearsay generally go to the weight of the evidence, rather than its admissibility [*Eva Gabor*

International Ltd v 1459243 Ontario Inc, 2011 FC 18, paras 17-18]. Since the Owner's business records would generally be admissible despite the rule against hearsay evidence [*Canada Evidence Act*, RSC 1985, c C-5, s 30(1)], I accept that the information in paragraph 24, stemming from the Owner's records, is reliable.

[19] In summary, the evidence shows that various quantities of children's hats, children's jeans, children's sunglasses and Halloween bibs were sold by the Owner in association with the Mark, during the relevant period [Jazvac Affidavit, para 24]. The evidence includes photographs showing the Mark displayed on these goods or their packaging [Exhibits B to D], and confirms that the photographs are representative of how the Mark appeared on these products during the relevant period [para 24]. This is sufficient to establish the requisite *prima facie* case of use of the Mark in association with "Clothing for infants and children, namely, ..., baby bibs not of paper, ... hats, ... jeans", each of which are included in the Goods (sunglasses are not included in the Goods). Accordingly, the Owner's evidence demonstrates that the Mark was used in Canada, during the relevant period, in association with the foregoing goods, within the meaning of sections 4(1) and 45 of the Act. The Owner's evidence does not demonstrate use in association with any of the Goods aside from the foregoing (the remaining Goods).

Special circumstances excusing non-use

[20] The general rule is that absence of use will be penalized by expungement, but there may be an exception where the absence of use is excusable due to special circumstances [*Scott Paper Ltd v Smart & Biggar*, 2008 FCA 129 (*Scott Paper*)]. To determine whether the exception is applicable, it must first be determined why in fact the trademark was not used during the relevant period. Then, it must be determined whether the reasons for non-use constitute special circumstances. The Federal Court has

held that special circumstances are circumstances that are “unusual, uncommon, or exceptional” [*John Labatt Ltd v Cotton Club Bottling Co* (1976), 25 CPR (2d) 115 (FCTD) at para 29].

[21] If the reasons for non-use constitute special circumstances, it must then be determined whether the circumstances *excuse* the period of non-use. This involves the consideration of three criteria: (i) the length of time during which the trademark has not been in use; (ii) whether the reasons for non-use were beyond the control of the registered owner; and (iii) whether there exists a serious intention to shortly resume use [*Registrar of Trade Marks v Harris Knitting Mills Ltd* (1985), 4 CPR (3d) 488 (FCA)].

Reasons for non-use

[22] The Requesting Party argues that non-use of the Mark during the relevant period was due to voluntary business decisions made by the Owner, both in response to the Owner’s bankruptcy and the pandemic [Requesting Party’s written representations, paras 24, and 31]. At the hearing, the Owner argued that the characterization of the reasons for non-use as voluntary business decisions does not do justice to the Owner’s evidence. The Owner argued that, in the circumstances of the Owner’s bankruptcy and the pandemic, it was not practical or commercially viable to use the Mark in association with the remaining Goods, during the relevant period.

[23] The evidence is clear that, after the Owner’s bankruptcy and prior to the relevant period, the Owner decided to “focus on selling baby items ...”, in association with the trademark KOALA BABY [Jazvac Affidavit, para 16]. The evidence is also clear that, during the relevant period, the Owner continued to use the Mark in association with some of the Goods, with limited product supplies, and reduced its ordering of additional supplies [Jazvac Affidavit, paras 19 and 20]. However, even if I were to accept the Owner’s framing of

the issue, the evidence does not establish that the Owner had no practical or commercially-viable alternative to its decisions, as the Owner asserts.

[24] With regard to the Owner's bankruptcy, Ms. Jazvac points to a "restructuring of its operations to maintain liquidity" [Jazvac Affidavit, para 15], and the loss of vendors that supplied the Goods [Jazvac Affidavit, para 14] as reasons why it could not use the Mark in association with those goods after the Owner's bankruptcy. However, her affidavit is not clear as to how the "restructuring" impeded or prevented the Owner from finding new vendors. Her affidavit also does not state what the Owner did to secure new vendors during the period between the Owner's bankruptcy and the beginning of the relevant period, and why the Owner was not successful. Without such details, it is at best not clear whether the Owner had a viable alternative to not using the Mark in association with the remaining Goods, during the period between the Owner's bankruptcy and the pandemic.

[25] Ms. Jazvac also does not provide any evidence of what would have been required to obtain the remaining Goods during the pandemic (and the relevant period). She also does not provide any details of the "uncertainty" in the Owner's cash flow, and does not evidence whether it jeopardized the Owner's ability to obtain the Goods. Without details of what it would have taken to use the Mark in association with the remaining Goods, it is not clear just how impractical or not viable it would have been to use the Mark during the pandemic, in association with all of the Goods.

[26] The deficiencies in the evidence become even more significant when considered in view of the fact that the Owner reduced - but nonetheless continued - to order *other* private label products [Jazvac Affidavit, para 20]. In the face of evidence that the Owner was able to continue ordering some private label products, and no details as to why the remaining Goods could not be obtained, I am unable to conclude that the Owner had no viable

option but to not use the Mark, in association with such remaining Goods. Rather than being unable to use the Mark in association with all of the Goods, it would appear that the Owner simply chose to prioritize some products over others.

[27] Finally, as of some time between 2022 and 2023, which roughly corresponds to the final year of the relevant period, the Owner was “in a position to further develop and expand its private label brands, including the Mark” [Jazvac Affidavit, para 21]. As of the date of Ms. Jazvac’s affidavit, approximately seven months after the end the relevant period, the Owner was selling many of the Goods in Canada in association with *other* trademarks, and had been “actively discussing restarting sales of the Goods ... with the Mark...” [paras 27 and 28]. However, the Owner had “not made any final decisions” with respect to use of the Mark in association with the Goods [para 28]. In other words, for a period of approximately 19 months after the pandemic-related challenges subsided, and more than six years after the Owner’s bankruptcy, the Owner had been in a position to restart use of the Mark in association with the remaining Goods, but had still not decided whether to do so. This indicates that the challenges caused by the bankruptcy and the pandemic were not the primary reasons why the Owner was not using the Mark in association with the remaining Goods, during the relevant period. Rather, it would appear that, in addition to prioritizing some products over others, the Owner chose to prioritize other brands and trademarks over the Mark more generally.

[28] In view of the foregoing, I find that the reason for non-use of the Mark, in association with the remaining Goods, during the relevant period, was the Owner’s decisions not to use the Mark with these goods. I am not satisfied that the Owner’s bankruptcy and the pandemic, and the challenges

they created, left the Owner with “no viable alternative” but to not use the Mark in association with the remaining Goods, as argued by the Owner.

Whether reasons for non-use constitute special circumstances

[29] Whether or not they were impacted or influenced by the Owner’s bankruptcy and the pandemic, I am not satisfied that the reasons for non-use in this case are the sort of “unusual, uncommon or exceptional” reasons that constitute special circumstances within the meaning of section 45 of the Act. Per my finding above, the reason why the Mark was not used during the relevant period was that the Owner had decided not to use the Mark in association with all of the Goods. While the challenges that arose due to the Owner’s bankruptcy and the pandemic likely played a role in this decision, challenging business conditions do not amount to “uncommon, unusual or exceptional” circumstances [see, for example, *Gowling WLG (Canada) LLP v Winebow, Inc*, 2023 TMOB 219 at para 26]. Accordingly, the absence of use is not due to “special circumstances”, within the meaning of section 45 of the Act. This alone is sufficient to justify amending the registration to remove the remaining Goods.

Whether circumstances excuse non-use

[30] Even if the absence of use could be attributable to special circumstances within the meaning of section 45 of the Act, I would not be satisfied that non-use should be excused in this case. In particular, the length of non-use by the Owner, and the apparent absence of an intention to shortly resume use both weigh against the Owner in this case.

[31] Regarding the length of non-use, the Requesting Party notes that the date of registration of the Mark (May 1, 2014) should be deemed to be the date of last use, because the Owner does not know when it last used the Mark in association with the remaining Goods [Requesting Party’s written

representations, paras 17-18]. At the hearing, the Owner argued that the unavailability of sales records prior to 2018 due to bankruptcy should be taken into consideration, and the period of non-use should be deemed to have commenced in 2018.

[32] Regardless of whether considered from 2014 or 2018, I find that the length of non-use does not favour the Owner's position. As of the end of the relevant period, the Mark had not been in use in association with all of the Goods for at least five years, despite use of the Mark in association with other goods during that period. The challenges faced by the Owner at the time of its bankruptcy, and during the pandemic, do not excuse such a lengthy period of non-use, in my view.

[33] In addition, I am not satisfied that the Owner has demonstrated a serious intention to shortly resume use of the Mark. At the hearing, the Owner argued that its intention to resume use was evidenced by the following: (i) plans to sell several broad categories of products in association with the Mark in the near future [Jazvac Affidavit, para 26]; (ii) the fact that it is now selling many of the Goods in association with other trademarks [para 27]; and (iii) the fact that the Owner is "actively discussing restarting sales" of the Goods ... with the Mark [para 28]. However, while the Owner's evidence establishes that it is *considering* restarting use of the Mark in association with the remaining Goods, it does not establish any serious *intention* to restart use. Indeed, Ms. Jazvac explicitly states that no decision about use of the Mark, in association with the remaining Goods, has been made [para 28], meaning that no serious intention to resume use has been formed.

[34] For at least the foregoing reasons, even if non-use of the Mark was the result of "special circumstances" within the meaning of section 45 of the Act,

I would not find that such circumstances excuse the absence of use in this case.

DISPOSITION

[35] Pursuant to the authority delegated to me under section 63(3) of the Act, and in compliance with the provisions of section 45 of the Act, the registration will be amended to remove all of the goods except “baby bibs not of paper”, “hats”, and “jeans”. The amended statement of goods will read as follows:

(1) Clothing for infants and children, namely, baby bibs not of paper, hats, jeans.

Jaimie Bordman
Member
Trademarks Opposition Board
Canadian Intellectual Property Office

SCHEDULE A

Original statement of goods of registration No. TMA876873

(1) Clothing for infants and children, namely, baby bibs not of paper, body suits, bonnets, booties, bottoms, namely pants, baby pants, leggings and pajama bottoms, caps, cardigans, coats, coordinating sets comprising tops namely, children's shirts, knit shirts, woven shirts, collared shirts, pullovers, hooded shirts, hooded sweatshirts, hooded jackets, bodysuits, sweaters, t-shirts, blouses, pajama tops and diaper shirts and bottoms namely pants, baby pants, leggings and pajama bottoms, coveralls, creepers, dresses, hats, jackets, jeans, jogging suits, jumpers, jumpsuits, layette sets comprising shortalls and tops namely, children's shirts, knit shirts, woven shirts, collared shirts, pullovers, hooded shirts, hooded sweatshirts, hooded jackets, bodysuits, sweaters, t-shirts, blouses, pajama tops and diaper shirts, layette sets comprising tops namely, children's shirts, knit shirts, woven shirts, collared shirts, pullovers, hooded shirts, hooded sweatshirts, hooded jackets, bodysuits, sweaters, t-shirts, blouses, pajama tops and diaper shirts and pants, layette sets comprising gowns and caps, layette sets comprising overalls and tops namely, children's shirts, knit shirts, woven shirts, collared shirts, pullovers, hooded shirts, hooded sweatshirts, hooded jackets, bodysuits, sweaters, t-shirts, blouses, pajama tops and diaper shirts, layette sets comprising cardigans and pants, layette sets comprising creepers and pants, layette sets comprising cardigans, tops namely, children's shirts, knit shirts, woven shirts, collared shirts, pullovers, hooded shirts, hooded sweatshirts, hooded jackets, bodysuits, sweaters, t-shirts, blouses, pajama tops and diaper shirts and pants, layettes, mittens, overall sets comprising overalls and tops namely, children's shirts, knit shirts, woven shirts, collared shirts, pullovers, hooded shirts, hooded sweatshirts, hooded jackets, bodysuits, sweaters, t-shirts, blouses, pajama tops and diaper shirt, overalls, pants, rain coats, rain jackets, rainwear, rompers, sandals, shirts, short sets, shortall sets comprising shortalls and tops namely, children's shirts, knit shirts, woven shirts, collared shirts, pullovers, hooded shirts, hooded sweatshirts, hooded jackets, bodysuits, sweaters, t-shirts, blouses, pajama tops and diaper shirts, shortalls, shorts, skirts, skorts, sleepwear, snow suits, socks, sweat shirts, sweat pants, sweaters, swimsuits, swimwear sets comprising swimsuits and coverups, swimwear sets comprising swim trunks and coverups, tee-shirts, tights, tops namely, children's shirts, knit shirts, woven shirts, collared shirts, pullovers, hooded shirts, hooded sweatshirts, hooded jackets, bodysuits, sweaters, t-shirts, blouses, pajama tops and diaper shirts, and wind resistant jackets

Appearances and Agents of Record

HEARING DATE: 2024-10-10

APPEARANCES

For the Requesting Party: Regeena Lifeso

For the Registered Owner: Lawrence Veregin

AGENTS OF RECORD

For the Requesting Party: No agent appointed

For the Registered Owner: Aird & Berlis LLP